

**CITY OF MOUNTAIN VIEW
MEMORANDUM**

3.1

DATE: June 14, 2012

TO: City Council

FROM: Lori Topley, Solid Waste Program Manager
Cynthia Palacio, Senior Administrative Analyst

SUBJECT: JUNE 19, 2012 STUDY SESSION—RECOLOGY PROPOSAL TO PROVIDE
RECYCLABLE MATERIALS, ORGANIC MATERIALS AND SOLID
WASTE COLLECTION AND ORGANICS PROCESSING SERVICES

PURPOSE

The purpose of this Study Session is to:

- Present a summary of Recology Mountain View's (Recology) proposal to provide recyclable materials, organic materials and solid waste collection and organics processing services;
- Seek Council direction on whether to proceed with negotiating an agreement with Recology or to conduct a competitive procurement process;
- Hear from the Council regarding possible new or modified services; and
- Review objectives to consider in negotiating a final agreement with Recology, if Council so chooses.

Based on direction from the Study Session, formal action will be requested as a Consent Agenda item at the June 26, 2012 Council meeting.

INTRODUCTION

The City's current collection services agreement with Recology expires on April 26, 2013. On June 28, 2011, the Council granted Recology an exclusive right to negotiate a new agreement, but reserved the right to initiate a process to solicit bids from other providers if the City and Recology could not reach mutually acceptable terms for a new agreement. Council provided direction to staff regarding the scope of collection services to include in the Request for Proposal (RFP) at a September 27, 2011 Study Session. The RFP was approved by Council on December 13, 2011, and provided to

Recology on December 23, 2011. Recology submitted a proposal to the City on March 14, 2012.

PROPOSAL EVALUATION

Overview

The City's RFP requested that Recology provide a description of services and pricing for: (1) Base Services very similar to the collection services currently provided by Recology, with some relatively minor modifications; (2) Zero Waste Services identified in 2011 through the zero waste planning process; and (3) processing services for commercial organics (food scraps) and potentially other types of organics.

Recology was generally responsive to the RFP. Most modifications requested to the Base Services were included, and discretely priced proposals for Zero Waste Services were provided. While the Zero Waste Services were defined in the RFP, Recology had latitude to develop other innovative and cost-effective proposals for accomplishing them and provided information to address the several innovative programs suggested by staff in the RFP.

Proposal and Agreement Exception Review

Recology's proposal was reviewed by a team of staff from the Public Works and Finance and Administrative Services Departments, with assistance from HF&H Consultants and input from the Sunnyvale Solid Waste Program Manager and former Cupertino Solid Waste Program Manager.

Recology was also required to submit requested exceptions to the proposed service agreement language provided with the RFP. Exceptions requested by Recology have been reviewed by staff from the Public Works and Finance and Administrative Services Departments and City Attorney's Office for reasonableness and are discussed later in this report.

Benchmarking

To help staff with its evaluation of the proposal, several cost and productivity measures related to services to be provided by Recology were benchmarked against statistics derived from a number of other solid waste collection service proposal and negotiation processes for communities located throughout California. With the exception of one measure (route supervision, as discussed later in this report), Recology's costs and productivity appear to be reasonable when compared to other communities. Results of the benchmarking analysis can be found in Attachment 1.

BASE SERVICES

Attachment 2 outlines the Base Services staff recommends for inclusion in the new collection services agreement. The table lists existing services that would be continued and the new services Recology has offered to add, generally at no additional cost. Staff considers the extension of yard trimmings collection to multi-family complexes and new semiannual reuse/drop-off events to be the most value-added of the services offered, both in terms of financial value and diversion. Also included are limited extra set-outs of recycling and yard trimmings for occasional overflow; curbside collection of cooking oil, compact fluorescent bulbs and cell phones; and acceptance of additional materials at the Mountain View Recycling Center.

In addition to collection services, Recology's Base Services proposal includes the conversion of the collection vehicle fleet from diesel to compressed natural gas (CNG), as each diesel vehicle is fully depreciated. An accelerated, but more expensive replacement option was also offered, but is not recommended by staff. The primary benefit of switching from diesel to alternative fuel vehicles is reduced greenhouse gas and ozone-forming emissions. Attachment 3 provides a full discussion of CNG vehicles, the two replacement options and staff's recommendation to replace vehicles as they are fully depreciated.

Increased diversion from the added Base Services is estimated at approximately 1,760 tons, a 3 percent reduction in the amount of solid waste currently being landfilled.

Controlling Costs

In review of the Base Services proposal and in discussions with Recology, staff identified some areas where reductions in proposed expenses may be warranted, and for which we are seeking Council direction or confirmation of staff's position, as discussed below. Some cost categories, particularly wages, are cumulative over time and drive other ongoing costs, such as benefits, so controlling costs now has a compounded benefit on rate impacts over the long term. Other costs, such as fuel, are driven primarily by the market and represent a risk that both the City and Recology have an interest in minimizing.

Wages: Recology's proposal for base services assumes inflationary and automatic wage increases in the range of 3 percent annually for the first two years of the agreement. Staff believes that endorsing such assumptions burdens ratepayers with fixed costs, that compound annually, for wage increases not automatically granted to other labor groups, City employees and workers in the Mountain View community. Recology's previous labor agreement established wage increases for drivers each year

between 2007 and 2011, ranging from 3.1 percent to 3.5 percent. These increases were then passed through to the City in Recology's compensation. This drivers' labor agreement is set to expire in August 2012 and it is assumed negotiations with the Sanitary Truck Drivers and Helpers Union, Local 350 (Teamsters) for a new agreement will take place soon.

In response to staff and Council's concern about controlling labor costs, Recology has indicated they will revise the assumed labor costs for the first two years of the agreement to reflect a freeze in wages. This is a welcome change to the original proposal and one staff suggests the Council endorse. Staff suggests Council also endorse the position that wage cost increases which "make up" for this freeze will not be considered in subsequent rate applications. After the first two years of the new agreement, expenses related to wages will be evaluated against the urban wage earners and clerical workers consumer price index.

Fuel Pricing: Fuel prices, both diesel and natural gas, can fluctuate widely. As described later in this report, Recology's compensation will be fixed for the first two years of the new agreement, so it was necessary for Recology to make assumptions about fuel pricing during that period. Although staff does not have any specific issue with the assumptions used by Recology, they do result in a significant rise in total fuel costs compared with current costs. These assumptions represent a risk to Recology if they are too low (unrecovered expenses), and a risk to the City if they are too high (overpayment to Recology). To temper this risk to both parties, staff discussed an agreement modification that would reflect compensation to Recology based on actual fuel prices only. Although the details of such an arrangement need to be determined, both staff and Recology believe this will be a fair and workable solution. After the first two years of the agreement, expenses related to fuel will be evaluated against a fuel pricing index, and actual costs will be reviewed every other year.

Equipment Leasing: Recology Mountain View leases its trucks and containers from Recology Leasing, a wholly owned subsidiary of Recology (parent company). Recology Leasing finances these purchases from different sources: internally generated funds, Recology's line of credit with a group of banks and third-party leasing companies such as U.S. Bank. As a result of this in-house leasing arrangement, Recology Leasing is able to secure equipment at a lower price based on volume purchases and leveraged purchasing power, which also benefits the City.

Recology Mountain View pays their leasing company for equipment rental, cost of borrowing plus a profit. These costs are included in the total allowable expenses used for calculating Recology Mountain View's profit. This is a concern because Recology's contract guarantees payment of allowable expenses plus profit, so the City may be

paying the leasing company's profit as a pass-through expense, and then paying Recology Mountain View profit on top of that.

Recology continues to provide information to address this concern. Staff's position is the proposed vehicle and equipment leasing costs must clearly tie to Recology's cost of borrowing. While Recology should be fairly compensated for its actual costs to borrow capital for equipment purchases, staff does not think it appropriate for the City to pay profit on profit.

Route Supervision: The benchmark analysis presented in Attachment 1 indicates Recology's proposed level of route supervision (ratio of drivers to supervisors) is far below the median. This is a concern because adequate route supervision has a significant impact on the quality of services provided, including how carts are returned to the curb after collection, repair of broken bin lids, litter from collections, missed collections, etc. To address this concern, based on discussions to date, Recology has responded in a number of ways that would effectively increase the level of route supervision by an additional 0.5 full-time employee (FTE) (to 1.5 FTE) without additional cost increases. Staff recommends refining the details of this commitment in negotiations to ensure that route supervision reflects the industry standard and meets Mountain View's quality expectations.

Container Maintenance: Recology is compensated with a portion of bin rental rates for container leasing and maintenance (\$600,000 annually) to meet the current agreement requirement that all equipment be maintained in a "safe, neat, clean, odor-free and operable condition at all times," including "steam-cleaning and painting as necessary." For containers that need service beyond reasonable wear and tear or from damage caused by the customer, Recology is allowed to charge customers an additional reasonable fee (\$75 to \$150 per bin).

Recology's proposal included a significant ongoing increase for container maintenance activities (both labor and materials) in response to new agreement language requiring refurbishment of containers on a scheduled basis (primarily bins). Staff believes the current level of container maintenance is not adequate and Recology and staff agree the practice of waiting for customers to request and pay additional fees for this service has resulted in lack of maintenance. Based on discussion to date, Recology has offered some modification to the original proposal that would reduce their requested ongoing costs. While staff believes this modification is a step in the right direction, further review and discussion is necessary to ensure the City is not paying now for deferred maintenance that Recology has already been compensated for.

Multi-Family Recycling: The RFP requested a service for new high-density multi-family residential developments that use trash and recycling chutes, a housing product

increasingly being built in Mountain View. Such a service would allow these developments to use separate bins to collect containers and paper more efficiently than the group carts now used for the multi-family recycling program. Recology inadvertently omitted this service from its proposal. In response to staff questions, Recology has indicated that such a service would likely result in additional costs above those of the Base Services proposal. As this is a service staff believes necessary to the success of recycling in high-density developments, staff would be looking to Recology to develop the most cost-efficient method to implement this service.

Agreement Exceptions: Recology took broad exception to the requirements of several sections of the agreement, including customer service, reporting, route auditing and liquidated damages, believing the requirements would be too costly. Staff has determined the majority of the provisions are identical to those found in the existing agreement, and some are simply written in more detail to ensure mutual understanding and contractor compliance. Some are clarifications of delivery service expectations (for example, that a customer service representative would be available to answer customer calls on holidays, like Presidents' Day or Memorial Day, when routes are running). Following initial discussion with Recology, staff believes some modest revisions can be made, but that Recology should be expected to meet the performance expectations of the provisions within the existing cost proposal.

Household Hazardous Waste: With Base Services, Recology offered a new "Front Door Household Hazardous Waste Collection" program at a guaranteed no additional cost for the first two contract years. This program is not recommended by staff because: (1) long-term costs are unknown; (2) the City could end up paying for both this program and the existing County-wide drop-off program; (3) the City would be required to assume acceptance of additional liability related to the collection of household hazardous waste; and (4) staff believes further entrenching household hazardous waste collection and disposal on the government tax roll undermines the zero waste principle of extended producer responsibility. Attachment 4 provides additional information about the proposed service and staff's concerns. Given staff's recommendation to not implement this service, Recology has offered to apply the value of the service to the proposed new zero waste programs (Enhanced Commercial Recycling and Expanded Commercial Organics, discussed below), resulting in an equivalent cost savings for those programs.

Rewards Program: Recology proposed a program that rewards residents based on the amount of material they recycle through an affiliation with RecycleBank. Staff is not recommending implementation of this program because it would result in minimal change or increased diversion for the investment, and does not specifically encourage or promote the primary zero waste principle to reduce waste, as opposed to just recycling more. Attachment 4 provides additional information about the RecycleBank program.

Based on staff's position, Recology has indicated a willingness to offer a rewards program aimed at encouraging overall waste reduction behavior, at little or no cost to the City. The program would be similar to one being offered by another Recology company, but the details would be subject to further negotiation. A description of this alternative Neighborhood Waste Reduction Rewards program is also provided in Attachment 4.

ZERO WASTE SERVICES

Table 1 outlines the Zero Waste Services proposed by Recology, accompanied by a staff recommendation regarding whether a particular service should be implemented. Staff is seeking Council direction regarding selection of recommended programs for negotiation. A description of each service listed on the table, and staff's evaluation in support of the recommendations, are provided in Attachment 4.

Staff is recommending services for implementation at the start of the new agreement primarily based on high diversion for reasonable cost (low or medium cost per ton diverted). The residential weekly yard trimmings with food scraps program is not recommended for immediate implementation due to lack of a processing solution (yard trimmings with food scraps have a higher processing cost than without and the SMaRT® Station does not have processing agreement to handle the mixed commodity). Because of this, the estimated costs per ton for this program are not fully formed. However, a pilot program to determine possible ways to collect residential food scraps separate from yard trimmings is recommended, and once data from all the various possibilities is collected, the City will be in a better position to make an informed decision about this program.

For those services the City may wish to add in the future, staff recommends that final (or near-final) pricing and other key program details be negotiated now for inclusion as an exhibit to the agreement, thereby allowing Council to choose to implement them at a later time as "changes in scope," with defined pricing (subject to adjustment to then-current dollars).

Council does not need to make a final decision regarding implementation of any of these programs until staff provides final negotiated pricing in September. However, direction regarding relative Council interest for various programs would help staff in determining areas of emphasis for the final negotiation process. The rate impact information provided in the next section of this report provides a good indicator of the cost impact of the various services for Council consideration.

**TABLE 1
ZERO WASTE SERVICES**

New Service	Diversion Estimate Tons	Relative Cost Per Ton Diverted	Implementation Recommendation
RESIDENTIAL (single-family and multi-family)			
Weekly Recycling	530	High	No Negotiate pricing for possible future addition
Weekly Yard Trimmings with Food Scraps	900 to 1,400	Medium to High	No Negotiate pricing for possible future addition
Fall Leaves, Weekly Yard Trimmings Collection	150 ¹	Medium	Yes
Food Scraps Collection Pilot ²	TBD	TBD	Yes
RecycleBank Reward Program ²	50	High	No Alternative is recommended
COMMERCIAL			
Enhanced Recycling Program and Technical Assistance	1,760	Medium	Yes
Expanded Organics Program and Technical Assistance	3,300	Medium	Yes
Commercial Targeted Wet/Dry	2,000 ³	Medium	No
MOUNTAIN VIEW RECYCLING CENTER			
Added Recyclable Materials and Processing (Drop-Off)	25	Low	Yes
Food Scraps (Drop-Off)	Not estimated	NA	No
OTHER			
Junk Removal	Not estimated	NA	Yes
CNG Vehicles—Accelerated Replacement Schedule	NA	NA	No
¹ Overlap with diversion from weekly yard trimmings program. ² Single-family cart customers only (1 to 4 units). ³ Diversion is instead of that from commercial recycling and organics programs.			

Relationship to Zero Waste Plan

The staff recommended Zero Waste Services would result in an estimated 5,235 tons of diversion, for a total of almost 7,000 tons when combined with diversion estimated from new Base Services. This is only about half of what is needed to reach an interim Zero Waste Plan goal of 80 percent diversion. The Draft Zero Waste Plan does not assume all diversion will be met by collection-related programs. Additional diversion is anticipated through SMaRT Station operations, extended producer responsibility measures (e.g., retail take-back), private sector environmentally preferable purchasing policies, and waste reduction, reuse and repair activities. Attachment 5 provides a more detailed discussion of how diversion resulting from new collection services relates to the Draft Zero Waste Plan.

Diversions Incentives

To increase the amount and/or quality of recovered materials from new Zero Waste Services, diversion goals and financial incentives for Recology are recommended. Recology proposed a diversion incentive program based on low and high rates of targeted diversion for multi-family yard trimmings and each of the new Zero Waste Services that are implemented. For example, if the agreed upon target diversion for the commercial organics program is 3,300 tons, the required low diversion rate might be set at 50 percent and the required high diversion rate set at 90 percent of the target. The incentive program would then include a payment to Recology, based on a per ton amount, for every ton diverted above the 90 percent target, and require a payment to the City from Recology for diversion below the 50 percent target.

Staff is still evaluating what the best approach to the diversion incentive program is and the details will need to be negotiated. Staff is concerned that Recology relied almost solely on the City's Zero Waste Plan analysis to develop program diversion estimates, rather than conducting its own independent analysis. Before a final diversion incentive program can be developed, staff will need to continue to work with Recology to ensure it fully "owns" its diversion estimates. However, the final program should be based on the following general parameters:

- Acceptable accounting methodologies;
- Per-ton payments for each ton in excess of each target and per-ton penalties for failure to meet minimum targets, and a method for adjusting both payments and targets;

- Maximum contamination levels (to be deducted from amount eligible for per-ton payments); and
- A cap on maximum annual diversion payments.

ORGANICS PROCESSING

Food scraps, compostable paper and other organics accepted in the City's commercial organics pilot are processed and composted through an agreement with GreenWaste Recovery, which expires on April 26, 2013. Staff requested pricing from Recology for processing and composting services for a full-scale commercial organics program. Recology proposes to deliver, using route trucks, all materials collected in this commercial program to their facility on Rogers Avenue in San Jose. At this facility, the materials will be loaded into transfer trucks and taken to the Recology-owned South Valley Organics composting facility near Gilroy.

The combined transfer and composting price per ton appears reasonable and acceptable (on the order of 20 percent to 30 percent less than the current GreenWaste Recovery price). Recology will guarantee capacity for Mountain View's fully implemented program and did not take exception to any of the provisions in the term sheet provided with the RFP. Staff recommends pursuing a final agreement with Recology for this service, either separate from or as a part of the overall collection agreement. The rate impacts associated with implementing the commercial organics program shown later in this report take into account organics processing costs based on Recology's proposed pricing.

RATE IMPACTS

This section provides estimated rate impacts for Base Services and the various Zero Waste Services for Fiscal Year 2013-14. The estimated rate impacts reflect a range developed based on the pricing proposed by Recology, and are based on the current rate structure. When reviewing the potential rate impacts, it is important to consider the cost of service study that is currently underway. Based on changes in law, and information from a 1998 cost of service study, staff is expecting that some changes to the rate structure will be required. Staff anticipates the changes would generally result in an upward trend in cart rates (primarily serving single-family one to four units) and a downward trend in bin rates (primarily serving multi-family five-plus units and commercial). This means that Fiscal Year 2013-14 rate impacts resulting from new programs serving cart customers (e.g., weekly recycling) would be in addition to probable rate increases resulting from the cost of service study. Likewise, Fiscal Year 2013-14 rate impacts resulting from new programs servicing bin customers (e.g., commercial organics) could be offset by probable rate decreases resulting from the study.

The cost of service study is also evaluating possible changes to the rate structure needed to stabilize revenues linked to a declining solid waste base resulting from zero waste programs and policies. Changes in the rate structure will affect the actual rate impact of selected programs.

Estimated Base Services Rate Impacts

The Fiscal Year 2013-14 rate increase for Base Services is estimated to be between one percent and three percent. This increase is a function of an overall assumed inflationary factor similar to that granted to Recology for Fiscal Year 2012-13, first year capital costs for new equipment, initial lease payments for new route vehicles and increased fuel and container maintenance costs. This estimated rate impact for Base Services takes into account reduced costs based on the revised offers from Recology for a wage freeze and a reduction in container maintenance costs, as discussed above.

Estimated Zero Waste Services Rate Impacts

Table 2 indicates the estimated rate impacts for each Zero Waste Service proposed, based on Recology's proposed costs. These estimated rate impacts take into account lost revenue due to reduced solid waste subscription levels and processing costs (except for residential food scraps, as discussed earlier in this report). The rate impacts for Zero Waste Services are specific to only certain rate categories (e.g., residential carts or commercial bins), whereas the Base Services rate impact shown above would apply to all rates. So, when evaluating a total rate impact for residential cart customers, there is little impact from recommended Zero Waste Services in addition to the Base Services impact. For commercial bin customers, there is a greater impact from recommended services, especially when combined with the Base Services impact. However, as mentioned previously, these impacts are likely to be diminished by decreases in commercial bin rates overall resulting from the cost of service study.

TABLE 2
RATE IMPACTS – ZERO WASTE SERVICES

Service/Program	Affected Rates	FY 13/14 Rate Impact	Recommended?
Weekly Recycling	Carts (Residential)	4% to 7%	No
Weekly Yard Trimmings with Food Scraps	Carts (Residential)	5% to 8% ¹	No
Fall Leaves, Weekly Yard Trimmings Collection	Carts (Residential)	0.2% to 0.4%	Yes
Food Scraps Collection Pilot	Carts (Residential)	No Impact ²	Yes
RecycleBank Rewards Program	Carts (Residential)	0.4% to 0.6%	No
Enhanced Recycling Program and Technical Assistance	Bins, Compactors (Commercial)	9% to 11%	Yes
Expanded Organics Program and Technical Assistance	Bins, Compactors (Commercial)	6% to 9%	Yes
Commercial Targeted Wet/Dry	Bins, Compactors (Commercial)	Undetermined ³	No
Added Recyclable Materials and Processing (Drop-Off)	All Rates	No impact	Yes
CNG Vehicles—Accelerated Replacement Schedule	All Rates	1% annually ⁴	No
¹ Rate impact does not account for unknown increased processing cost per ton for all yard trimmings once food scraps are added. ² Costs and rate impacts for a full-scale program will be determined following evaluation of pilot. ³ See discussion in Attachment 4. ⁴ This is an annual cost that would require this rate increase every year for the life of the agreement.			

Compensation Impacts on Rates

Recology's compensation will be set for the first two years of the agreement, through June 30, 2015. Thereafter, Recology's allowable expenses will be adjusted using various indices applied to the Fiscal Year 2014-15 costs in accordance with the procedures described in the new agreement. The multiple cost indices (fuel pricing, vehicle maintenance, wages, CPI and urban consumers CPI) will help track the general reasonableness of changes in costs and allow the City to perform a detailed cost review every other

year rather than annually. In addition, Recology will be required to submit cost of service data by customer group and service type so the effects on rates of declining solid waste subscriptions can be monitored. Finally, the high end of the compensation band of the current agreement will be lowered from 12 percent to 10 percent. This new lower rate of return provides incentive to Recology to maintain and improve day-to-day efficiency and cost-effectiveness of service performance. Together, these measures, which have all been reviewed by Council, will help minimize future rate impacts.

Compensation for the two-month period between the start of a new agreement (April 27, 2013 through June 30, 2013) is an issue of timing for beginning new services. Recology proposes and staff concurs that it would be beneficial to begin new programs and services prior to July 1, 2013. Rates will be adjusted beginning July 1, 2013 for the new agreement, and some relatively minor costs associated with the change in base services will either need to be paid from reserves or reflected in the Fiscal Year 2013-14 rates.

CONCLUSION

As directed by Council, staff solicited a proposal from Recology to provide collection and organics processing services. Recology's proposal offers Base Services for generally the same price as for current services, except for first year capital costs and inflationary, fuel and container maintenance increases. Additional services to increase diversion are also offered for the City to choose from. The Base Services package includes a number of additional services over and above those currently provided, as "added value" offered by Recology. Some of the offered Zero Waste Services are recommended by staff for implementation with a new agreement, and others are not. As "added value," Recology also offered to reduce the price for commercial recycling and organics services if the City chooses not to implement the "Front Door Household Hazardous Waste Collection" program.

If Council is satisfied with Recology's proposal, and with the "added value" offered, staff would recommend pursuing a negotiation process, returning with a final agreement for consideration in September. However, in recognition of the value to Recology of not having to compete with other bidders to provide future services, staff would further recommend that Council endorse specific negotiating objectives, as listed below, and direct staff to further control costs during the negotiation process.

Council Direction

Council direction regarding the proposed services and cost-related issues is requested so that Council's preferences and priorities can be pursued with Recology, if negotiation

of a new collection services agreement is directed. Specifically, staff is seeking direction on the following:

- Whether Council is inclined to accept Recology's proposal in concept and direct staff to negotiate an agreement for final Council review in September, or whether a competitive bid process should be initiated;
- The zero waste programs Council is interested in implementing;
- Endorsement of the negotiating objectives listed in Table 3. Each objective relates to an area as identified and discussed in this report, where reductions in proposed expenses may be warranted or where modifications to Recology's proposed services are needed.

**TABLE 3
NEGOTIATING OBJECTIVES**

Issue	Description	Objective
Wages	Assumes inflationary and automatic wage increases to be passed through to ratepayers.	<ul style="list-style-type: none"> • Wage cost freeze for FY 13-14 and FY 14-15 at FY 12-13 levels (as offered by Recology) • FY 15-16 and beyond wage costs not to reflect "delayed" increases
Fuel Pricing	Projected fuel prices result in large increase in Base Services costs.	<ul style="list-style-type: none"> • Share risk for future prices through compensation adjustments to reflect actual fuel prices
Equipment Leasing	A Recology affiliate leases trucks to Recology Mountain View at a rate intended to cover borrowing costs plus 3%.	<ul style="list-style-type: none"> • No additional compensation above reasonable cost of capital
Route Supervision	Level of supervision is far below benchmark for comparable contracts	<ul style="list-style-type: none"> • Ensure level of route supervision reflects industry standard and meets the quality standard in Mountain View at an appropriate FTE level
Container Maintenance	City compensates Recology for reasonable wear and tear with a portion of the utility rates for bin rental. Appears container maintenance has been deferred inappropriately.	<ul style="list-style-type: none"> • Provide container maintenance for reasonable wear and tear out of the compensation previously provided

**TABLE 3
NEGOTIATING OBJECTIVES**

Issue	Description	Objective
Multi-Family Recycling	Group recycling cart service not practical in high-density, multi-family developments. RFP request for a bin program not included in proposal. Response to staff questions reveal a proposed cost increase to provide.	<ul style="list-style-type: none"> Determine most cost-efficient collection method
Agreement Exceptions	Recology took broad exceptions to contract provisions requiring mostly the same reporting and services as previously contracted.	<ul style="list-style-type: none"> Consider minor modifications to achieve same goals/standards within Base Services cost proposal
Front Door Household Hazardous Waste Collection	Staff recommends not implementing this offered Base Service.	<ul style="list-style-type: none"> Apply value of this service to commercial recycling and organics programs to reduce costs
Rewards Program	Proposed RecycleBank service not recommended.	<ul style="list-style-type: none"> Accept Recology offer to develop a waste reduction rewards program similar to one offered by affiliate CleanScapes at no or low cost to City
Diversion Incentives	Diversion incentive is important to achieving zero waste goals. Recology will receive additional compensation based on their diversion estimates, which staff believes have not yet been independently analyzed.	<ul style="list-style-type: none"> Ensure Recology independently analyzes and fully "owns" its diversion estimates before incentive program is finalized

NEXT STEPS

At the June 26, 2012 Regular Meeting, based on the results of this Study Session, the Council will be requested to either:

1. Accept Recology's proposal in concept, state its intent to enter into a new agreement with Recology subject to a successful negotiation, and direct staff to proceed with a negotiation based on specific objectives; or
2. Direct staff to initiate a competitive procurement process with other potential vendors, utilizing the same RFP that was given to Recology.

In addition, Council will be requested to:

1. Confirm new Zero Waste Services to be included in agreement; and
2. Endorse negotiating objectives.

If the Council directs staff to negotiate with Recology, staff will return in September 2012 with a final agreement for Council consideration.

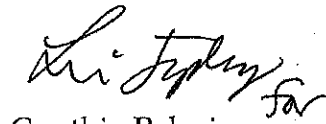
PUBLIC NOTICING

In addition to the City's standard agenda posting requirements, notice of this meeting was provided via e-mail to neighborhood associations, the Chamber of Commerce and the Central Business Association. Notices were also posted in the *Voice*, on the City's web site and on KMVT.

Prepared by:

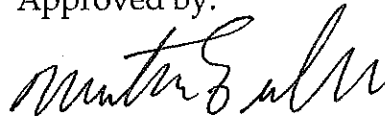


Lori Topley
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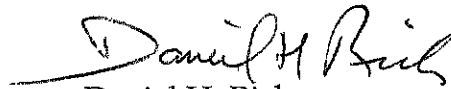


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944-06-19-12M-E^

- Attachments
1. Benchmark Analysis
 2. Base Services
 3. CNG Vehicles
 4. Proposed Services Description and Evaluation
 5. Zero Waste Plan Diversion Goals

BENCHMARK ANALYSIS

OVERVIEW

The benchmark analysis involves comparing Recology's proposed costs and operational productivity to those proposed by a range of companies for other California communities. The benchmarks for Cost are based only on comparison to other bay area communities, while the Productivity benchmarks include communities from throughout Northern and Central California.

OVERALL COST

The table represents the percent by which Recology's cost proposal falls above the median of the data points. In each case, Recology's costs are within the range of the comparative costs.

Recology Proposal Solid Waste Only	Recology as % above Median Labor Cost/Route	Recology as % above Median Total Cost/Route
Residential (Cart)	17%	1%
Commercial (Bin)	57%	26%
Roll-Off	26%	12%

PRODUCTIVITY*

Route Labor

Lifts or Pulls Per Day Per Route	Low	Median	High	Recology Proposal
Carts	280	640	1860	666
Bins	45	90	160	128
Roll-Off	4	7	9	6

A "high" number indicates more stops per route than the median number, which is usually more efficient and positive.

Non-Route Labor

	Low	Median	High	Recology Proposal
Ratio Route Labor to Non-Route Labor	0.6	1.6	3.7	2.4

A "high" number indicates fewer support staff per route.

Route Supervision

	Low	Median	High	Recology Proposal
Ratio of Drivers to Supervisors	8	15	32	29

A "high" number indicates less supervision available for drivers and routes.

Vehicle Maintenance Staff

	Low	Median	High	Recology Proposal
Ratio Vehicles to Maintenance Staff	2.3	6.5	13.3	6.9

Recology's number is close to the median, indicating the number of maintenance staff dedicated to vehicles is relatively standard.

*The numbers in the tables above have been rounded.

BASE SERVICES

Current	Proposed Additions
RESIDENTIAL CART SERVICES (1-4 units, split-cart recycling)	
Garbage (weekly) <ul style="list-style-type: none"> ▪ Fully automated (w/dismount required as needed for parked cars and extra garbage bags with pre-paid stickers) ▪ 20, 32, 64 and 96 gallon cart choice ▪ Backyard service, disabled only, no fee 	Garbage (weekly) <ul style="list-style-type: none"> ▪ No changes
Recyclables (every other week) <ul style="list-style-type: none"> ▪ Fully automated (w/dismount required as needed for parked cars and extras like cardboard, batteries, etc.) ▪ 64 gallon split-cart (96 gallon on request) ▪ Extra cart on request ▪ Backyard service, disabled only, no fee ▪ Unlimited Extra Setout - 2 weeks after Christmas 	Recyclables (every other week) <ul style="list-style-type: none"> ▪ Limited Extra Setout year-round (2 additional containers up to 32-gallons each) with cart
Yard Trimmings (every other week) <ul style="list-style-type: none"> ▪ Fully automated (w/dismount required as needed) ▪ 96 gallon cart (64 gallon on request) ▪ Extra cart on request (up to 2) ▪ Backyard service, disabled only, no fee ▪ Holiday Tree collection 	Yard Trimmings (every other week) <ul style="list-style-type: none"> ▪ Limited Extra Setout year-round (2 additional containers up to 32-gallons each) with cart
Other Curbside Collection <ul style="list-style-type: none"> ▪ Household batteries ▪ Motor oil and filters ▪ Bundled large cardboard 	Other Curbside Collection <ul style="list-style-type: none"> ▪ Cooking oil ▪ Compact Fluorescent Bulbs ▪ Cell Phones ▪ Customers provide containers
On Call Plus Clean Up Program <ul style="list-style-type: none"> ▪ 3 appointments annually ▪ 4ft x 4ft x 8ft of material ▪ Plus up to 3 bulky items each appointment ▪ SMaRT® Voucher available in-lieu of appointment 	On Call Plus Clean Up Program <ul style="list-style-type: none"> ▪ No changes

Current	Proposed Additions
<ul style="list-style-type: none"> Also available to Condo and Townhome bin customers 	
RESIDENTIAL BIN SERVICES (5+ Units, group cart recycling)	
Weekly Garbage <ul style="list-style-type: none"> Bin size range from 1 to 6 cubic yards Optional twice-weekly collection for high density, by exception 	Weekly Garbage <ul style="list-style-type: none"> No changes
Every-Other-Week Recycling <ul style="list-style-type: none"> 96 gallon shared group carts (source-separated) Optional weekly collection for limited space developments, by exception 	Every-Other-Week Recycling <ul style="list-style-type: none"> Unlimited Extra Setout – 2 weeks after Christmas (if arranged by property manager) Bin (source-separated) collection for high density with chutes (program cost not finalized)
Every-Other-Week Yard Trimmings <ul style="list-style-type: none"> Not offered Holiday Tree collection – one time by appointment within 4 weeks after Christmas 	Every-Other-Week Yard Trimmings <ul style="list-style-type: none"> Offered to all complexes - 96 gallon carts
Other Curbside Collection <ul style="list-style-type: none"> None offered 	Other Curbside Collection <ul style="list-style-type: none"> Household batteries, motor oil and filters, cooking oil, compact fluorescent bulbs, cell phones (if location of stored items and pick up schedule arranged and monitored by property manager)
COMMERCIAL SERVICES	
Garbage Collection <ul style="list-style-type: none"> Varied bin/cart size and collection frequency available 	Garbage Collection <ul style="list-style-type: none"> No changes
Recyclables Collection <ul style="list-style-type: none"> Mixed recycling bin service or source-separated carts Cardboard only bins available Generally weekly service, but more frequent service available 	Recyclables Collection <ul style="list-style-type: none"> Recycling Clean-Out Service (extra containers provided once per year, one week period, up to daily service)

Current	Proposed Additions
ROLL-OFF SERVICES (debris boxes and compactors)	
<ul style="list-style-type: none"> ▪ Debris box containers ranging in size from 10-40 cubic yards ▪ Discounted boxes offered for recyclables ("rock/soil", green trimmings, cardboard) 	<ul style="list-style-type: none"> ▪ No changes
MOUNTAIN VIEW RECYCLING CENTER	
<ul style="list-style-type: none"> ▪ Buy-back center hours (T-S, 9-3) ▪ Drop-off recyclables (only those accepted curbside) ▪ Drop-off batteries during buy-back hours 	<ul style="list-style-type: none"> ▪ Expanded materials drop-off during buy-back hours ▪ Appointments ▪ Reuse Events <p>(see below for description of these services)</p>
OTHER	
For-Fee Services <ul style="list-style-type: none"> ▪ Extra Collections ▪ Bulky Item Collection 	For-Fee Services <ul style="list-style-type: none"> ▪ Bin For A Day (see below for description)
Collection Vehicles <ul style="list-style-type: none"> ▪ Biodiesel (B20) 	Collection Vehicles <ul style="list-style-type: none"> ▪ Replace with alternative fuel (CNG) as depreciated (see Attachment 3 for discussion of CNG vehicles)

Mountain View Recycling Center

Drop-off expanded beyond basic curbside recyclables to accept additional items during recycling center hours Tuesday-Saturday 9 a.m. to 3 p.m. (no fee):

- Clothing for donation
- Textiles for recycling
- Used cooking oil in screw-top plastic containers
- Compact fluorescent light bulbs (u-waste) in sealed plastic
- Used motor oil and filters (u-waste) in screw-top plastic containers and sealed plastic bags
- E-waste such as computers, monitors, televisions, printers, cell phones, etc. (personal identification required to drop off e-waste devices with a 4 inch or larger screen to meet State redemption fund regulations for processor)
- Mattresses (possible fee)

- Polystyrene packaging blocks which will be recycled through Recology San Francisco (if directed by staff, cost not yet determined)

Appointments for certain reusable or recyclable household goods (no fee):

- All items accepted at drop-off listed above
- Appliances, small and large including washers, dryers, refrigerators, water heaters, stoves
- Furniture (reusable)
- Toys
- Mattresses and box springs (possible fee)
- Wood, clean lumber
- Yard Trimmings
- Other items determined to be reusable or recyclable by Recology

Reuse Events (no fee):

- Scheduled twice per year at the Mountain View Recycling Center or other location, most likely on a Saturday
- Materials accepted include the same items listed under *Appointments* above plus one passenger truck pickup-size load of construction debris for home remodelers
- End use for materials will be with various non-profit (thrift) organizations such as the Society of St. Vincent de Paul, Goodwill Industries, Salvation Army, the online Freecycle Network™, Resource Area for Teachers (RAFT), local schools, and other community organizations in need of reusable goods.

For-Fee Services

Bin for a Day is an intermediate clean up service for residents needing more than an On Call Plus appointment but less than a debris box.

- Available to residential customers.
- Container is one 4-yard bin on wheels with open top (6' x 4' x 4').
- Bin will be delivered to resident's driveway or other designated area.
- Collection within seven days from delivery.
- Materials collected include recyclables, yard trimmings, solid waste, small household items consistent with home and yard cleanups, and light remodeling or construction debris.
- No paints, e-waste or hazardous materials accepted.
- City establishes rates for this service based on a pass-through of Recology costs.

CNG COLLECTION VEHICLES

In the Request for Proposal (RFP), the City considered how best to address alternative fuel technologies.

FUEL TECHNOLOGIES

During the last agreement development in 2002, the City considered reduced-emission diesel fuel and compressed natural gas (CNG) technologies, but found them to be too costly at that time. Experience and advances in alternative fuel vehicles have improved over the past 10 years.

For the new agreement, staff reviewed different fuel technologies and evaluated the associated risks, such as increased maintenance costs, equipment failure resulting in service delay, and increased capital costs. These negative effects are more likely associated with newer fuel technologies because the "learning curve" is high. There are also regulatory risks, which makes it important to consider fuel technologies approved by the California Air Resources Board (CARB) and other air districts because of increased regulatory scrutiny or availability of grant or loan funding. The Agreement requires the Contractor to be in compliance with all current and future regulatory requirements regarding air emissions and to be responsible for these risks.

Potential environmental benefits are the driving force in considering alternative fuel technologies. Reductions in greenhouse gas emissions or ozone-forming emissions have been found, but apples-to-apples comparisons of different technologies are difficult due to limited research on the lifecycle benefits of each.

Over the past 10 years, CNG has emerged as a proven fuel technology in refuse collection, transit, and passenger vehicle fleets. CNG is a fossil fuel primarily derived from large underground methane deposits. It is produced by compressing natural gas to 2900-3200 pounds per square inch (psi) and is an abundant domestic resource in the United States. It is an approved alternative fuel by California Air Resources Board (CARB) and by some air districts. Burning CNG offers approximately 30 percent reductions in greenhouse gas emissions relative to traditional diesel with significant savings in ozone-forming emissions as well. It has a lower energy density than diesel, biodiesel and liquefied natural gas, resulting in best use for short-distance travel. Ten years after staff's last review, it is a proven fuel technology for refuse collection, transit and passenger vehicle fleets. CNG is also less expensive than other fuels. The price of

CNG fuel in March 2012 was \$2.75 per diesel gallon equivalent, about a dollar less than diesel.

Other fuel alternatives include biodiesel, liquefied natural gas (LNG), gas/diesel-electric hybrids, electric, and hydrogen. Of the fuels recommended for refuse collections, CNG was the leader, while hybrids and electric vehicles were suitable for route supervisor and other passenger transportation. Biodiesel meets low-carbon fuel standards, but is not an alternative fuel approved by CARB.

CNG VEHICLE REPLACEMENT SCHEDULES

The RFP directed Recology to develop two different options for replacement of existing diesel vehicles with new CNG vehicles. The first option would replace diesel vehicles as they become fully amortized with CNG vehicles over the term of the agreement (Base Services). The second option would replace all vehicles with CNG on an accelerated schedule, within three years of the start of the new agreement (Zero Waste Services). For example, replace one-third of the fleet annually for three years. Both proposals had to address vehicle fueling stations, which are discussed first, followed by analysis of the two replacement options.

FUELING STATIONS

Recology would use the CNG fueling stations at the Mineta San Jose International Airport, located approximately 2.1 miles from Recology's Santa Clara truck yard, with a secondary location at PG&E on Homestead Road in Cupertino. The airport location has plenty of pumps available and is open 24 hours per day. Recology does not anticipate any additional off-route time because trucks are fueled at the start of their shift when there is minimal fueling station traffic, and the "fast-fuel" feature allows trucks to be serviced in 15 minutes. When all vehicles have been replaced, Recology will install a permanent CNG fueling station somewhere in their service area.

ANALYSIS AND RECOMMENDATION

Staff is recommending that all existing diesel collection vehicles be replaced with new CNG collection vehicles at the end of their 11-year depreciable life, according to the table below. This would result in almost 60% of the vehicles being replaced by the end of 2015 and 90% replaced by the end of 2020.

Service Type	Vehicle #	Manufact. Year	Replace Year
Commercial Recyclables	11102	1999	2014
MFD/Commercial Recyclables	15098	1999	2014
Commercial Recyclables	11134	2000	2014
Roll-Off	12163	2001	2014
Commercial Solid Waste	11171	2003	2014
Residential Recyclables	13128	2004	2015
Residential Yard Trimmings	13156	2004	2015
Residential Solid Waste	13158	2004	2015
Residential Solid Waste	13170	2004	2015
Residential Recyclables	13126	2004	2015
Residential Recyclables	13127	2004	2015
MFD Solid Waste	11197	2004	2015
Commercial Solid Waste	11230	2007	2018
Residential Solid Waste	13200	2008	2019
Roll-Off	12240	2008	2019
Residential Solid Waste	13203	2009	2020
Residential Yard Trimmings	13210	2009	2020
Commercial Solid Waste	11235	2009	2020
MFD Solid Waste	11240	2009	2020
Commercial Recyclables	11248	2010	2021
Commercial Solid Waste	11301	2011	2022

The age of the existing fleet and depreciation schedule was considered in developing the option to accelerate vehicle replacement. Under the 2003 agreement, the majority of vehicles were to be replaced by 2006-07, but nearly 40% of the fleet was delayed until 2009 for budget reasons. As a result, these existing vehicles will not be fully depreciated and replaced until 2019, when there are only 3 years left in the agreement term. New vehicles sometimes come into play as a reason for extending an agreement instead of pursuing a competitive bid process, which should be a serious consideration for the City in 2021 when the processing and disposal contracts also expire. However, the proposed cost to replace all vehicles within 3 years of the start date is significantly higher than replacing vehicles over the entire term as they depreciate. Therefore, the accelerated 3-year option is not recommended.

To offset the potential issue of many vehicles being relatively new and not fully depreciated at the end of the term, the agreement assigns Recology responsibility for the vehicles and warrants the City shall be under no financial or contract extension obligation to Contractor, whether the vehicles are fully depreciated or not. This

provision does not negatively impact Recology because the vehicles are leased by Recology Mountain View from a wholly-owned subsidiary of the Recology parent company. After the agreement has ended, the vehicles would be available to other subsidiaries or sold, and there should be no problem putting CNG vehicles to use elsewhere. The City could also choose to purchase the vehicles for transition to the next contractor.

PROPOSED SERVICE DESCRIPTIONS AND EVALUATION

RECOMMENDED SERVICES

Residential Fall Leaves Weekly Service

Description: This service would allow all residents subscribed to yard trimmings collection to set out their carts for service *every week* for a *ten-week* period in the fall, most likely mid-September through November.

Evaluation: Fall leaf drop is the heaviest service demand period of the year. This periodic leaf service combined with new Base Services (where residents can set out up to two extra 32-gallon cans of yard trimmings on regular collection day) should meet residents' needs for more capacity and allow collection to remain on the more economical every-other-week schedule. It provides extra capacity and convenience to residents in a cost-efficient manner. This new program will require additional staff outreach efforts to help residents adjust to the limited time period and prevent confusion during implementation.

August 2011 Survey Results: Not included on survey.

Residential Food Scraps Collection Pilot

Description: The City expressed interest in the RFP for options to keep food scraps and yard trimmings separate in general, if possible. There are several key reasons why, if feasible, this would be advantageous. First, the SMaRT Station® processes yard trimmings, but not mixed organics or food scraps, to ensure a better market value for the yard trimmings. Second, once yard trimmings are combined with food scraps, all collected tons must be processed at a higher cost. Third, some customers will generate food scraps, but no yard trimmings.

To evaluate the different possibilities for collecting food scraps from residents, Recology has offered to conduct a pilot of no more than one-year duration. The pilot proposed by Recology would have the pilot customers place food scraps in bags inside yard trimmings carts weekly. The food scrap bags would be removed from yard trimmings at the SMaRT Station, and the food scraps transported to another facility for processing. Before a final pilot design is chosen, staff needs to consult with Sunnyvale staff, the SMaRT operator and research other possible pilot methodologies.

Evaluation: The one-year pilot allows the City to determine if there is a viable system to collect food scraps economically from single-family customers without impacting convenience (the pilot will not include multi-family residents due to complexity, but the results will be considered in light of multi-family participation also). Experience in other communities shows full-scale food scraps programs are expensive because the food scraps combined with yard trimmings must all be processed as organics at a higher processing cost. The cost per ton of diversion has also been shown to be very high due to low participation rates. A pilot program where food scraps are kept separate from yard trimmings, and different processing methods are tested (combining materials or not), can help both the City and residents decide if it is worthwhile to pursue further depending on costs.

August 2011 Survey Results: 70% of single-family and 61% of multi-family respondents are interested in participating in weekly food scraps with yard trimmings, but 52% of single-family and 38% of multi-family respondents were not interested in paying extra for it.

Enhanced Commercial Recycling Program and Technical Assistance

Description: This program will ensure that every business, multi-family complex, school and special event is provided the opportunity to recycle (consistent with new State law, AB341). Recology will employ a waste diversion specialist who will strategically target customer accounts based on an assessment of recycling needs, starting with those accounts that are not currently recycling, then moving to those that appear to be under-recycling, and eventually working with all accounts to improve existing services. The specialist works with the customer to ensure that each container is being used for the purpose intended, e.g. that there is no cardboard in the trash container, and no trash in the recycling container. This is the same targeted approach the City used in 1999, which resulted in the City increasing its diversion rate from 45 to 52 percent, and exceeding the State-mandated goal in 2000.

Technical assistance will include customer site assessments and documentation, customer training and development of education and outreach materials. For multi-family residents, education and outreach will include the offer of free recycling "buddy bags" for residents to transport recyclables to the group carts or bins. For schools, it will include an approach similar to "Green Schools" and the City's previous school efforts, consisting of waste assessments, class presentations, assemblies, and award programs.

This program has proven successful in Mountain View and other communities as noted earlier. The difficulty is maintaining the effort as employees, tenants, and school children transition to other places. Commitment from the top at these institutions is the key to maintaining the waste reduction and recycling program effort. The program may include tours of the SMaRT Station to illuminate the need to share in the responsibilities of recycling and waste management, thus reducing costs and improving efficiencies for all.

August 2011 Survey Results: Not included on survey.

Expanded Commercial Organics Program and Technical Assistance

Description: The City piloted a food scraps (organics) program for commercial accounts in the North Bayshore which has been so successful that the pilot is at capacity. Recology will continue with this effort by expanding the organics program, providing technical assistance, increasing routes and taking over the processing (composting) responsibility.

As before, commercial accounts generating large volumes of food scraps will be contacted first and offered the program at a rate decided by the City. For the pilot, the rate has been the same as trash collection. However, in order to encourage those businesses that are not as motivated to participate, and help offset the costs to these businesses of setting up the program internally, the new rate will likely be set at a 25% discount from trash. These large-volume generators include cafeterias in high tech businesses, grocery stores and produce markets, caterers, hospitals, some restaurants, and large venues and special events. Later, Recology will target other restaurants, fast-food outlets, flower shops, bakeries, coffee shops and others.

Evaluation: This program cost-effectively targets the two highest remaining wastes going to landfill, food waste and compostable paper. For cost-efficiency, it is important to concentrate on the largest waste generators to reduce the volume of waste by diverting recyclables and organics. As more materials are diverted and new routes develop, old trash routes will be rebalanced to cover a larger area because of additional capacity. The shifting of routes from trash to organics may not result in cost savings, but will result in more materials diverted from the landfill and reduction of greenhouse gasses. This commercial program will also provide more diversion at a lower price than a residential program because of the route efficiency of picking up large containers from a few businesses, rather than picking up small containers from a large number of residences.

August 2011 Survey Results: 50% of respondents either already participate in the organics pilot (5%) or are very likely/likely to participate (45%).

Mountain View Recycling Center - Added Recyclables Drop-Off and Processing

Description: Recology will accept these additional recyclables in the Drop-Off services at the Mountain View Recycling Center. Materials will be processed at their processor, RockTenn in San Jose. Polystyrene blocks, if directed by staff to be collected, will be shipped to Recology San Francisco.

- Milk/juice cartons
- Aseptic containers
- Aerosol cans
- Waxed paperboard frozen food boxes
- Rigid plastics
- Textiles
- Scrap metal
- Film plastic
- Polystyrene blocks

Evaluation: Most of these items are low value recyclables (except for metal) and have limited market viability. As such, Recology proposes to accept them only at the Drop-Off to minimize collection expense. Recology estimates they will collect about 25 tons annually and there will be no processing cost to the City because the volume is small.

One of these items, scrap metal, can be dropped-off at the SMaRT Station in Sunnyvale (but is not accepted in curbside collection due to collection challenges). If the market value improves and becomes sustainable, SMaRT can also capture any of the other items when processing solid waste.

By accepting additional items in our Drop-Off, the City will increase diversion in a cost-effective manner. By using additional processors besides SMaRT, the City diversifies processing capabilities to market to different end-users. For example, the type of materials accepted by each processor reflects their individual contracts with end markets to produce a particular product. SMaRT Station receives a high market value for our quality recyclables, while Recology's processors can market lower-value materials by aggregating them with other communities' programs.

August 2011 Survey Results: 51% of single-family respondents and 63% of multi-family respondents indicated they were interested in recycling additional materials in a drop-off program.

Junk Removal Services

Description: In response to staff's request, Recology offered a Junk Removal Service similar to one operated by their sister company in San Francisco, and similar to the privately operated "Have Junk" type franchises. This is an intermediate clean up service for residents and businesses unable to place materials at curbside for collection.

Evaluation: The service was proposed as a convenience to our citizens to fill the gap between On Call Plus Clean Up programs and roll-off box service; and to protect revenues and increase diversion. Some of these private companies are charging fees or collecting materials set out in the driveway or curbside just like an On Call Plus appointment in violation of the current exclusive agreement. This illegal activity takes revenue away from the local economy and utility ratepayers; and it is unknown whether materials collected by private companies are actually recycled or reused.

Recology's proposed service, RecycleMyJunk, is successfully provided by their other companies at rates competitive with the private sector. The benefits include maximum diversion of materials by reuse or recycling; increased revenue received from service fees paid by Recology to City, and reduction in illegal hauling as customers switch to the new program to support the local economy. The program would operate as follows:

- After the customer's call, Recology visits the site to estimate the type and volume of materials and where the items would be collected, such as a garage, backyard or inside a home or business.
- City establishes rates for this service based on a pass-through of Recology costs (but similar rate as other junk removal companies).
- Collection is scheduled for any non-holiday weekday using an existing flatbed truck to minimize damage to reusable items.
- Materials are transported to Mountain View Recycling Center and segregated for reuse, recycling or disposal.
- Reusable items would be offered to non-profit (thrift) organizations such as Society of Saint Vincent De Paul, Goodwill Industries, and the Salvation Army for redistribution into the community.
- Recyclable materials that are accepted at the SMaRT Station, and solid waste, will be transported by Recology to the SMaRT Station.
- All recyclable materials that are not accepted at the SMaRT Station will be made available to third-party processors of such materials, such as metal recyclers.
- Recology will provide diversion reports to the City to verify reuse, recycling and disposal activities.

- Existing trucks and drivers would be used initially until the program expands to the point of requiring more resources.

August 2011 Survey Results: Not included on survey

NOT RECOMMENDED SERVICES

Residential Front Door Household Hazardous Waste Collection (Base Services)

Description: Recology proposed to provide this service through a subcontractor, Curbside Inc. (a subsidiary of Waste Management). Collection would be from single-family dwellings (1 to 4 units) only. Residents call to schedule a pick up and are sent an HHW kit in advance of their appointment with materials and instructions for preparing their items. The materials are then placed by an entrance door, garage door, or yard gate the morning of the appointment, for collection by 5 pm that day.

Evaluation: This is a fairly new service idea and long-term costs are not fully formed. Recology indicates they commit to covering the cost of the program for the first two years of the new agreement, but "because the HHW service and its true costs are new and quite complex as a result of the many variables in the program, Recology would propose that costs above our original cost estimates, plus inflation, that are out of our control be included as an allowable expense in cost-based rate application years". Therefore, if costs escalate, either based on increased participation or operating costs, those additional costs would need to be reflected in customer rates. Because it is not practical to provide this program to multi-family dwellings, the City would need to remain a participant in the County-wide program (by drop-off appointment), so overlapping costs would be paid for the same program. The county-wide program also provides valuable services in addition to the drop-off program including retail take-back partners for batteries and bulbs, small business participation in the drop-off program and legislative advocacy.

To implement the front door program, the City would be required to become a permanent HHW facility collector and obtain permits through the Certified Unified Program Agency (CalEPA) and Department of Toxic Substances Control. Cupertino staff reports this requires a significant amount of paperwork and requires the City to acknowledge acceptance of more liability (and additional reporting responsibilities) than under the current county-wide system. From a policy standpoint, it can be argued that such a program is in conflict with the important Zero Waste concept of Extended Producer Responsibility, whereby manufacturers of toxic and other difficult to manage

products assume the responsibility for their products at end of life. The City taking on added responsibility and expense for this program could serve to further entrench this service on the City tax roll at a time when solid waste professionals are working at both the legislative and policy levels to shift it away from government to manufacturers.

August 2011 Survey Results: 54% of single-family respondents are likely to participate.

Residential Weekly Recycling

Description: This program would convert the current every-other-week collection of recycling carts to a weekly service. This would require the addition of one additional collection truck and driver.

Evaluation: Although weekly service would increase convenience to customers, this service is relatively expensive and the estimated additional diversion is low. Under the Base Services in the new agreement, residents will be allowed to place out with their carts up to 2 additional containers (paper bags, boxes, cans) no more than 32-gallons each on service day as needed. Those regularly exceeding the capacity of their cart would still be provided a second cart, as this is a more efficient collection method, but limited extra setout allows for the occasional extra material to be collected at a far reduced cost than weekly service.

August 2011 Survey Results: 59% of single-family respondents are not interested in weekly recycling services.

Residential Weekly Yard Trimmings with Food Scraps

Description: This service has two components – increasing the frequency of yard trimmings collection from every-other-week to weekly, and allowing residents to place food scraps in with the yard trimmings. Adding food scraps requires the conversion to weekly service as they are defined by State law as putrescible material that must be collected weekly. However, weekly service could also be offered without the inclusion of food scraps, to increase customer convenience. Weekly service would require one additional collection truck and driver.

Evaluation: As with recycling, weekly service would increase customer convenience, but result in little additional diversion of yard trimmings for a much higher cost (the Zero Waste Plan estimated 340 tons of added diversion from single family residents). Including food scraps would increase the diversion. The Zero Waste Plan estimated about 710 tons total (yard trimmings and food scraps), while Recology has estimated up

to 1,400 tons. Staff is still working with Recology to better understand this estimate. Experience in other communities show participation rates for full-scale residential food scraps programs to be low, resulting in low additional diversion. The SMaRT Station also captures some of the yard trimmings and food scraps residents place in their garbage carts.

The City could not implement a program allowing residents to mix food scraps with yard trimmings without a processing solution. The SMaRT Station operator has an agreement with a composter for yard trimmings, but not mixed organics or food scraps, to ensure a better market value for the finished compost. While the SMaRT Station operator might be able to obtain an agreement to process this mixed commodity, once yard trimmings are combined with food scraps, all collected yard trimmings tons must be processed at a higher cost, which would be a significant expense for the City, and could also result in inefficiencies at the SMaRT Station if Mountain View's material must be kept separate from that delivered by the other partner cities. As noted earlier, staff is recommending a pilot to determine the feasibility of a program that keeps food scraps separate from yard trimmings. Once additional information is available regarding options, the most feasible and economic approach can be determined.

In addition, to address additional yard trimmings capacity and convenience, implementation of a *Residential Fall Leaves Weekly Service* is recommended. This service will allow residents subscribed to yard trimmings collection to set out their carts weekly for a ten-week period in the Fall. This program, combined with new Base Services where residents can set out up to two extra 32-gallon cans of yard trimmings every other week, should meet residents' needs for additional yard trimmings capacity at far less cost than weekly service.

August 2011 Survey Results: 70% of single-family respondents are interested in weekly food scraps with yard trimmings, but 52% were not interested in paying extra for it.

Residential RecycleBank Reward Program

Description: Recology proposed a partnership with RecycleBank to bring a rewards program to Mountain View. RecycleBank is a for-profit company that started a "loyalty and rewards" program in 2004 to create incentives for households to recycle more material. The incentive program rewards each home with points for the amount of material recycled; the more they recycle, the more points they will earn. The points can be redeemed for discounts and deals at thousands of national, regional and local businesses that are RecycleBank Rewards Partners. RecycleBank states that the average member earns \$165 in savings annually. Although in some communities, points can be

awarded based on the exact weight of an individual's recycling cart, this can require an expensive retrofit of existing carts and vehicles. Instead, in Mountain View, recycling would be weighed by route and the points earned apportioned based on the number of households on that route. Those residents that choose to log on to the RecycleBank website and become members can convert their points to the rewards of their choice. RecycleBank charges participating cities a fee to set up and run the program. Although only those residents that choose to be members receive points and rewards, the cost of the program is spread to all households.

Evaluation: Additional diversion estimated by Recology for this program is 50 tons, and Morgan Hill reports they have not experienced any significant increase in recycling since adding the program. An analysis prepared by Sunnyvale staff (although at a higher proposed cost per household) indicated that to reach the break-even point (where the City would recover the cost of the program) a 42% increase in household recycling maintained over a 5 year period was needed, a very unlikely outcome. Staff's assessment is that RecycleBank seems to provide the most benefit to newly-established recycling programs that have low initial participation rates and high landfill disposal costs for each additional ton disposed. It appears least beneficial to well-established programs with high participation rates and low marginal disposal costs, which is the category Mountain View falls into. In addition, staff believes that a rewards program that encourages residents to reduce their overall waste generation, rather than just increase their recycling (and perhaps be tempted to place in their recycling carts materials not accepted in our program), and that offers rewards that do not encourage additional consumption, would be more consistent with Zero Waste principles. Based on discussion with Recology, a waste reduction oriented rewards program is recommended, as described below under "alternative recommendations".

August 2011 Survey Results: Not included on survey.

Commercial Targeted Wet/Dry Re-Routing

Description: According to the Waste Characterization Study, a large amount of clean paper and other recyclables could be recovered from trash at the SMaRT Station if wastes were drier. Staff asked Recology to propose some type of re-routing to collect dry trash loads (e.g. offices) separate from wet trash loads (e.g. restaurants). Re-routing has the advantage of being transparent to the customer.

Recology proposed *replacement* of the entire commercial solid waste system *city-wide* with a "Wet/Dry" program where customers would be categorized into "primarily dry"

or "primarily wet" waste types. The existing business recycling program and commercial organics pilot would continue, but this proposal is in lieu of Recology's other proposals for Enhanced Recycling and Expanded Organics programs.

The proposed program would require a new route (driver and truck) along with a half time outreach specialist. Recology would teach dry waste customers to put their wet wastes (organics and bathroom waste) into clear plastic bags (customer provides); and then place those bags into the larger bin of loose, dry wastes for collection. Recology would then collect customers with mostly dry wastes in one truck; and customers with mostly wet wastes in another truck. This program is similar to a new system soon to be implemented in San Jose by Allied Waste. Recology noted that program diversion is far more dependent on the capabilities of the processor, but did not offer any processing solutions for this new system.

As an alternative to the Wet/Dry program above, Recology proposed a *pilot* program *focused* only on customers with primarily wet trash. Recology would work with the customer to separate recyclables from trash as usual, and the remaining wet trash would be transferred and composted through Recology's facilities in San Jose and Pacheco Pass. This pilot program would require some re-routing, outreach, overtime, and transfer and processing fees paid to Recology to compost the wet wastes, estimated at 2,000 tons.

Evaluation: Staff does not recommend either the proposal or the alternative for several reasons. Re-routing shows some promise of diversion, but costs and processing solutions need to be determined. This is not a fully developed proposal and the wet/dry alternative is unproven in San Jose where it is new. While the Wet/Dry program may divert a similar tonnage amount and cost less for collection than the other proposals for Enhanced Recycling/Expanded Organics, it requires much more customer involvement and re-education, and may violate existing third party agreements for processing and disposal. Yet, staff and Recology agree that some form of re-routing (transparent to customers) as originally requested in the RFP, might be implemented at little or no cost in the future.

August 2011 Survey Results: Not included in survey.

Food Scraps Drop-Off at Mountain View Recycling Center

Description: For single-family residents who do not generate yard trimmings but still want to divert their food scraps, Recology proposes to accept such material from

residents in Drop-Off services at the Mountain View Recycling Center. Residents would use their own containers or bags to transport the food scraps to a container in the Drop-Off area. Recology would then transport that container to a processing facility of the City's choice. Currently, the City uses Green Waste Recovery in San Jose to process the organics from the City's Commercial Clean Organics Pilot Program.

Evaluation: Staff is not recommending this proposal because it is unlikely that a large number of residents would be willing to transport their food scraps in this manner. If so, the food scraps would have to be transported frequently because they are putrescible, and this would increase transportation costs and greenhouse gas emissions. Residents may be better served by backyard home composting efforts or the City could consider residential food scraps collection in the future once the results of the pilot program, as discussed above, are available.

August 2011 Survey Results: Not included in survey.

ALTERNATIVE RECOMMENDATIONS

Neighborhood Waste Reduction Rewards Program (Modified from Above)

Description: Recology submitted a proposal to partner with RecycleBank to provide a residential rewards program aimed at increasing recycling rates. Because this sector already has very high recycling participation, staff is interested in a program that focuses on rewarding waste reduction and reducing contamination from recycling errors. Therefore, staff is not recommending RecycleBank (as discussed above), and asked Recology to consider other ideas. A Recology-owned company located in the northwest, CleanScapes, has designed a program that seems to incorporate the elements that staff requested. See the link at:

www.cleanscapes.com/seattle/community/neighborhood_waste_reduction_rewards.com.

The Neighborhood Waste Reduction Rewards program provides a reward, ranging between \$10,000 and \$50,000 in neighborhood capital improvement projects, but other rewards are possible. The reward is based on which neighborhood area, based on collection day, loses the most "weight" over a 12-month period. Residents are provided tips and information on how to reduce the amount of waste they generate and the tons are tracked on the website. Other features could include such things as small rewards for the best monthly waste reduction tip submitted by a resident, and school presentations to get children involved.

Final cost is still to be determined and negotiated with Recology. Recology said they did not feel that the cost of website development and tracking of a rewards program would be material. Promotion could be done with a combination of advertising, billing inserts, public service announcements, and social media. Staff will also explore opportunities to create jobs for Mountain View residents, use volunteers, or neighborhood groups for any improvement projects.

Evaluation: Rewards programs to reduce waste or improve recycling can reduce disposal costs and processing costs. A rewards program is a fun, engaging and interactive way to encourage people to practice the first R (Reduce) of the waste hierarchy. The program would result in direct and quantifiable diversion through waste reduction (although amount not estimated at this time). This is a potentially low-cost program to execute because outreach can be accomplished through existing City/Recology websites, bill inserts, newsletters, and public service announcements. Program design will need to take into account that not all residents will be interested unless they are directly affected. To generate interest, the program will consider smaller rewards with instant gratification potential.

August 2011 Survey Results: Not included on survey

Free Compost Pick-Up at Mountain View Recycling Center

Description: Recology's operation of the Mountain View Recycling Center under the Base Services proposal included the provision of a bunker of loose compost produced by Recology's composting facilities. Residents could come by during buy-back center operating hours (Tuesday-Saturday, 9 am to 3 pm) to shovel into their own containers and vehicles up to 3 cubic yards.

Evaluation: Staff is not recommending this proposal for several reasons. This is a small property within a half mile of residences and there is really not enough room to keep compost. Materials could become windborne and result in a nuisance to the nearby residential area. Recology does not have the staffing to monitor customers in the yard because they are busy with the Buy-Back and Drop-Off and other operations on the site. In addition, residents can get free compost at the SMaRT Station 7 days a week between the hours of 8 am and 5 pm. Mountain View must pay its share of this service even if free compost pickup is provided in Mountain View. In response to staff's suggestion, Recology has agreed to modify this proposal and provide free compost to the bunker at the SMaRT Station which will eliminate the City's financial obligation to the current compost provider at SMaRT.

ZERO WASTE PLAN GOALS

Mountain View enjoys a relatively high current diversion rate of about 73 percent (4-year average) compared to other cities. The draft Zero Waste Plan goals are to reach 80 percent diversion by 2015 and 90 percent by 2020. If measured in terms of reduced landfill disposal (diverted tons), a snapshot of what would be required today to reach the goals tomorrow is shown in the table below (not accounting for growth):

ZERO WASTE PLAN DIVERSION GOALS				
Goals	Annual Disposal to Landfill	Additional Annual Diverted Tons	Equivalent Diversion Rate	Time Period
4 Year Disposal Average	56,600 Tons		73%	Now
Interim Zero Waste Goal	<42,000 Tons	14,600 Tons	80%	By 2015
Minimum Zero Waste Goal	<20,000 Tons	36,600 Tons	90%	By 2020

The new services recommended by staff to be implemented at the start of a new agreement are estimated to result in the following diverted tons, based on Recology estimates:

NEW SERVICES DIVERSION	
Recommended Services	Annual Tons Estimated by Recology
Base Services	1,760 Tons
Zero Waste Services	5,235 Tons
Total Tons	6,995 Tons

The new recommended services would not provide enough diversion to reach the 80% goal. The Zero Waste Plan does not assume all diversion will be met by City programs. While most communities rely primarily on collection programs to achieve diversion, Mountain View has other sources for diversion not shown in the table above. For example, the SMaRT Station® recovers recyclables from the waste stream, including organics ("fines") which are expected to soon produce an additional 4,500 tons of diversion annually. Other examples include diversion as a result of residents and businesses through extended producer responsibility measures (e.g., "retail take-back"), private sector environmentally preferable purchasing policies, and waste reduction, reuse and repair activities. The economy also affects diversion because increased consumption generally leads to increased recycling as there are more materials in the waste stream. The City cannot predict or control economic growth and consumption, but all residents and businesses can contribute to the Zero Waste effort through individual action.

The effectiveness of the recommended Zero Waste programs will play an important role in helping the City achieve its Zero Waste goals. Recology's contractual performance standards and financial diversion incentives will be tied to meeting these goals. However, staff is concerned that Recology overly relied on the City's Zero Waste Plan analysis to develop the diversion program estimates and pricing, rather than conducting its own independent analysis based on its years of experience in Mountain View and the region. Therefore, should Council direct staff to negotiate an agreement with Recology, staff will continue to work with Recology to ensure that it fully "owns" its diversion estimates. For example, based on discussions to date, Recology revised its estimate of annual diversion for the weekly yard trimmings and food scraps program from 900 tons to 1,400 tons.